Health & Medicine
POLICY RESEARCH GROUP

Comments RE "Health Insurance Reform and the Option of Establishing an Insurance Exchange in Illinois"
Health & Medicine Policy Research Group
December 9, 2010

Health & Medicine Policy Research Group believes that the PPACA offers opportunities to build a healthcare infrastructure that aligns health systems, including Medicaid, Medicare, the new health insurance exchanges, and the employer-based insurance market. Health & Medicine's comments focus on creating a seamless health care system with an emphasis on quality and comprehensive coverage.

Functions of a Health Benefit Exchange
Health & Medicine believes that Illinois should operate its own Exchange (as long as it has the capacity to do so) so that the State can tailor the exchange the meet the needs of IL residents. Illinois can lead the country with a progressive and innovative exchange in a way that the Federal HHS would not. However, close attention should be paid to the rules and regulations developed by HHS in mid 2011 regarding the Exchange to ensure the IL Exchange operates at the highest possible level according to law.

From an insurance market perspective, the most desirable outcomes of a State Exchange would be an increase in benefits covered, increase in quality, and decreases in premiums/costs. The Exchange should include mandated reporting requirements on key health indicators (defined by the Department of Public Health) by participating insurers and should provide incentives for insurers who focus on care coordination and innovative delivery reforms that improve quality and decrease cost. The State should act as an active purchaser through the Exchange in order to ensure the highest quality health insurance for the widest range of IL residents possible.

Beyond the minimum functions, the IL exchange should set a minimum quality standard for plans participating in the exchange, but should remain as open as possible to an "any willing provider" structure as long as those quality standards are met. The IL exchange should negotiate with insurers to gain the best benefits and premiums for Illinoisans and should reward insurers for the adoption of new tools such as electronic health records (i.e.: Insurers could have a reduced "participation" fee for adopting these new tools).

The IL Exchange should require additional reporting from insurers, including aggregated claims data and outcome data. The IL Exchange should elicit consumer feedback regarding Exchange products to help ensure barriers are removed from accessing the products and health care. If the State has the capacity, it should also provide additional administrative functions on behalf of payers or employers, including collecting, aggregating and passing through premium payments, coordination of electronic health reforms for patients moving from one insurance plan to another, etc.. If the State does not have the capacity for these administrative functions, the State should ensure this functionality by contracting with a non-profit agency that does have the capacity, to ensure the most seamless system as people move from one insurance plan to another.

While allowing "any willing provider" to participate in the Exchange would increase the risk and diversity of the insurance pool, we want to urge the State to monitor the quality of the plans included in the Exchange. Health & Medicine encourages a wide participation in the Exchange as long as minimum quality standards are met in order to prevent adverse selection.

Structure and Governance

Health & Medicine believes that the best way to structure the State Exchange is through a quasi-governmental Board, much like the current Illinois Health Facilities and Services Planning Board. This structure would limit the resources needed from the State to govern the Exchange but would hold the Exchange accountable to the public and to an Executive Branch Agency. A Board would also be protected from political changes over time, ensuring the voice of the stakeholders rather than interest and political groups.

We urge the Board to be staffed by the Department of Insurance and have representation from, at least, a consumer advocate, a quality improvement professional, two providers (at least one non-physician), a hospital administrator, a health policy professional, a consumer, and a representative each from the Departments of Public Health, Health and Family Services, and Aging. Board members should have 4 year terms with the option of renewal.

The External Market and Addressing Adverse Selection

Optimally, Health & Medicine would like to see a single market Exchange, so as to limit the administrative needs of running the Exchange and monitoring the market. However, there will be many people left out of the Exchange and Federal subsidies for the Exchange, so it is important that the market outside of the Exchange also be monitored. Given two markets, the State should require the same rules for plans sold inside and outside of the Exchange so that those finding coverage outside the Exchange are not subject to sub-par, expensive coverage plans that don't truly meet their needs.

Structure of the Exchange Marketplace

Illinois should operate separate exchanges for individuals and small employers in order to protect the premiums for small employers from unnecessary rate increases. Experts predict that by combining the individual market with the small-business market, the small business plan premiums will increase while only bringing down the individual market premiums minimally. This would be detrimental to small businesses, who already often struggle with providing coverage for their employees. Also, while citizenship verification is required in the individual exchange, this administrative task is eliminated in the small employer exchange because the ACA assumes the employer has already verified citizenship status for its employees. This would eliminate an administrative burden of the State Exchange for a significant portion of the population receiving insurance through an exchange.

Illinois should limit the restrictions placed on employers to participate in the Exchange so as to make it as easy as possible to participate. Increased participation is key to increasing the risk pool, a key element of controlling costs.

Illinois should have one State individual exchange and should avoid the creation of multiple regional exchanges. Multiple Exchanges would create added bureaucracy and oversight and could possibility create disparities in coverage and costs across the State.

Self-Sustaining Financing for the Exchange
Health & Medicine believes that the financing option presented in the Federal law is the best way to ensure financing of the Exchange after Federal funding is eliminated. Illinois should charge a participation fee to insurance providers to cover the costs of the exchange. Many thousands of IL residents will be mandated to purchase insurance products and the insurance providers should pay in to be part of the Exchange (where most people will go to look for coverage). State funds should not be used. Employers and individuals should not be assessed fees as this would limit the affordability of insurance plans, having a disproportionate impact on low-income populations.

The State should consider a separate funding source for maintaining state benefit mandates and one option for this funding would be minimal premium surcharges on those added benefits.

Eligibility Determination
While there are many complexities to how individual eligibility will be determined, Health & Medicine recommends the development of a seamless point of entry into the health insurance system, including a single enrollment form and process for Medicaid, the State Insurance Exchange, CHIP, and other public programs (i.e. TANF and food stamps) as an easy way of moving between the programs as categorical and income eligibility change. The system established should be highly sensitized to guiding people with respect to their benefit coverage, payment obligations and provider choice as they move into private health insurance options within the exchange or elect care through their employers.

The system should meet the cultural and linguistic needs of IL residents, and should be available electronically and via a paper application and phone line (requirements of ACA). We recommend that State examine the Tri-Agency Letter, "Policy Guidance regarding Inquiries into Citizenship, Immigration Status and Social Security Numbers in State Applications for Medicaid, State Children's Health Insurance Program (SCHIP), Temporary Assistance for Needy Families (TANF), and Food Stamp Benefits." This letter establishes the minimally necessary questions needed when developing an application for the stated public programs, and we believe IL should work to create a streamlined application using this guidance (the guidance can be found at http://www.hhs.gov/ocr/civilrights/resources/specialtopics/tanf/triagencyletter.html).

Depending on the rules and regulations developed regarding the State-based Exchanges and the "benchmarked benefits" covered by plans in the Exchange, IL should consider developing the ACA optional "Basic Health Plan." The Basic Health Plan would function much like Medicaid for those between 133% and 200% of the Federal Poverty Level (and would not have a five year bar for immigrants like Medicaid). If the benchmark benefits package in the Exchange is deemed at least comparable to the coverage provided in Medicaid, IL should not develop the Basic Health Plan and should shift all residents above 133% of the FPL to the Exchange. However, if the benchmark benefits plan does not cover as comprehensive a package as Medicaid, IL should operate a Basic Health Plan for those between 133%-200% of FPL, to assure that the vulnerable populations currently covered by Medicaid who would otherwise be

switched to the Exchange (i.e. pregnant women between 133-200% of FPL, etc.) receive continued, seamless coverage.

With or without a Basic Health Plan, Illinois might consider a Medicaid/Family Supplemental Policy, offering additional, subsidized benefits to higher risk population groups above 133% FPL with graduated payment contributions as families and individuals raise their income. And, Illinois should offer a state-based supplemental product for purchase by all families to ensure comprehensive coverage. These state and sliding-scale premium-funded programs would help fill gaps in coverage presented by plans in the Exchange. For example, a "bronze plan" in the Exchange is only required to cover 60% of the costs, so IL should have a supplemental plan to help cover the remaining 40% of costs (paid primarily through premiums using minimal state dollars).

In order to truly coordinate the acceptance of public and private insurance by provider teams and medical homes, Medicaid and plans in the Exchange should all meet a minimum standard for reimbursement rates, and Medicaid reimbursement rates should be increased (with the help of increased Federal funding for the first 2 years). Also, the State should work with providers to increase the willingness of providers to accept payment from any of the payers (Medicaid, Medicare, private insurance, CHIP) so that residents can remain with their provider of choice no matter if their coverage status shifts over time.

Thank you for your consideration of these comments.